



TO BE SIGNED AND
RETURNED TO
GRANT THORNTON

Financial Statements

**Board of Management for the Harbourfront
Community Centre**

December 31, 2011

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Independent Auditors' Report

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To the Council of the Corporation of the
**City of Toronto and the Board of Management for the
Harbourfront Community Centre**

We have audited the accompanying financial statements of the **Board of Management for the Harbourfront Community Centre** which comprise the statement of financial position as at December 31, 2011, and the statement of operations and net assets, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe, that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

In common with many not-for-profit organizations, the Centre derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Centre and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the **Board of Management for the Harbourfront Community Centre** as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
April 24, 2012

Grant Thornton LLP

Chartered Accountants
Licensed Public Accountants

Board of Management for the Harbourfront Community Centre Statement of Financial Position

December 31

2011

2010

Assets

Current

Cash and short term investments	\$ 722,665	\$ 718,296
Receivables - City of Toronto	87,363	53,965
- Other	53,367	14,605
Prepays	<u>267</u>	
	<u>863,662</u>	<u>786,866</u>

Long term

Receivable - City of Toronto (Note 3)	297,962	276,911
Capital assets (Note 4)	<u>22,597</u>	<u>19,758</u>

\$ 1,184,221 \$ 1,083,535

Liabilities

Current

Payables and accruals - City of Toronto	\$ 26,317	\$ 5,414
- Other	185,555	197,934
Deferred revenue (Note 5)	<u>164,507</u>	<u>82,319</u>
	<u>376,379</u>	<u>285,667</u>

Long term

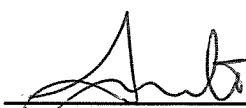

Employee benefits payable (Note 3)	325,830	301,968
Deferred capital contributions (Note 6)	<u>7,354</u>	<u>10,732</u>
	<u>709,563</u>	<u>598,367</u>

Net Assets

Invested in program capital assets (Note 4)	15,243	9,026
Reserves program funds (Note 7)	427,724	427,724
Unrestricted program funds	<u>31,691</u>	<u>48,418</u>
	<u>474,658</u>	<u>485,168</u>

\$ 1,184,221 \$ 1,083,535

Approved on behalf of the Board of Management

_____ Chair _____ Treasurer

See accompanying notes to the financial statements.

Board of Management for the Harbourfront Community Centre Statement of Operations

Year ended December 31

2010

	2011	2011	
	<u>Budget</u>	<u>Actual</u>	
Program revenue			
Grants			
Government of Canada	\$ 129,754	\$ 125,013	\$ 125,830
Provincial	52,655	47,868	50,017
City of Toronto	134,062	114,674	105,756
Other foundations/agencies	<u>33,596</u>	<u>34,320</u>	<u>40,382</u>
	350,067	321,875	321,985
Donations/Fundraising/Other	52,718	67,223	69,757
Program and membership fees	112,415	143,786	98,258
Rental fees	88,000	92,176	81,278
Interest	<u>6,500</u>	<u>9,565</u>	<u>5,998</u>
	609,700	634,625	577,276
Program expenditures			
Salaries and wages	391,377	425,910	362,298
Employee benefits	58,660	57,659	52,585
Materials and supplies	116,503	113,422	113,657
Purchase of services	45,346	41,710	45,481
Amortization of capital assets	-	6,434	6,278
	<u>611,886</u>	<u>645,135</u>	<u>580,299</u>
Excess of expenditures over revenues - Program	<u>(2,186)</u>	<u>(10,510)</u>	<u>(3,023)</u>
Administration expenditures			
Salaries and wages	839,678	855,202	846,299
Employee benefits	216,913	247,191	211,224
Materials and supplies	79,500	60,092	85,327
Purchase of services	95,300	95,480	103,850
Amortization of capital assets	-	3,377	3,377
Amortization of deferred capital contributions	-	(3,377)	(3,377)
	<u>1,231,391</u>	<u>1,257,965</u>	<u>1,246,700</u>
Funds provided by City of Toronto			
Administration (Note 8)	<u>1,231,391</u>	<u>1,257,965</u>	<u>1,246,700</u>
Administration excess of expenditures over revenue	-	-	-
Excess of expenditures over revenues - Program	\$ (2,186)	\$ (10,510)	\$ (3,023)

See accompanying notes to the financial statements.

**Board of Management for the
Harbourfront Community Centre
Statement of Changes in Net Assets**

Year ended December 31, 2011

	<u>Invested in Capital assets</u>	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>Total 2011</u>	<u>Total 2010</u>
Net assets, beginning of year	\$ 9,026	\$ 427,724	\$ 48,418	\$ 485,168	\$ 488,191
Excess of revenues over expenditures	-	-	(10,510)	(10,510)	(3,023)
Transfer of capital asset additions to invested in capital assets	12,651	-	(12,651)	-	-
Transfer of amortization to invested in capital assets	<u>(6,434)</u>	<u>-</u>	<u>6,434</u>	<u>-</u>	<u>-</u>
Net assets, end of year	\$ <u>15,243</u>	\$ <u>427,724</u>	\$ <u>31,691</u>	\$ <u>474,658</u>	\$ <u>485,168</u>

See accompanying notes to the financial statements.

Board of Management for the Harbourfront Community Centre Statement of Cash Flows

Year Ended December 31

2011

2010

Increase (decrease) in cash and short term investments

Operating activities

Excess of expenditures over revenues	\$ (10,510)	\$ (3,023)
Amortization of capital assets	9,811	9,655
Amortization of deferred capital contributions	(3,377)	(3,377)
Increase (decrease) resulting from changes in:		
Receivable - City of Toronto	(33,398)	(24,549)
- Other	(38,762)	(4,147)
Prepays	(267)	3,215
Payables - City of Toronto	20,903	5,382
- Other	(12,379)	82,815
Deferred revenue	82,188	(64,044)
Long term receivable - City of Toronto	(21,051)	(16,342)
Long term employee benefits payable	<u>23,862</u>	<u>18,158</u>
	<u>17,020</u>	<u>3,743</u>

Investing activities

Acquisition of capital assets - program	\$ (12,651)	\$ -
Net increase in cash and short term investments	4,369	3,743
Cash and short term investments, beginning of year	<u>718,296</u>	<u>714,553</u>
Cash and short term investments, end of year	\$ <u>722,665</u>	\$ <u>718,296</u>

See accompanying notes to the financial statements.

Board of Management for the Harbourfront Community Centre Notes to the Financial Statements

December 31, 2011

1. Establishment and operations

The City of Toronto Act, 1997 continued the provisions of By-law No. 1995 – 0448 dated June 26, 1995 to reflect Chapter 25 of the City of Toronto Municipal Code. Chapter 25 amended all previous by-laws and established part of the premises at 627 Queens Quay West, Toronto, as a community recreation centre under the authority of the Municipal Act, known as Harbourfront Community Centre (the "Centre").

The Municipal Code provides for a Council appointed Board which, among other matters, shall:

- (a) endeavour to manage and control the premises in a reasonable and efficient manner, in accordance with standard good business practices, and
- (b) pay to the City of Toronto (City) any excess of administration expenditure funds provided by the City in accordance with its approved annual budget, but may retain any surplus from program activities.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the accounting policies summarized below:

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related capital assets. Externally restricted contributions for capital assets that have not been expended are recorded as part of deferred capital contribution on the balance sheet. Rental and similar revenues are recognized on the date of the performance or event.

Capital assets

Purchased capital assets are recorded at cost and contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives, as follows:

- Computer equipment - 3 years straight-line
- Furniture and equipment - 5 years straight-line

In the year of acquisition half of above rates is applied.

Board of Management for the Harbourfront Community Centre Notes to the financial statements

December 31, 2011

2. Significant accounting policies (continued)

Deferred capital contribution

Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related capital asset. Externally restricted contributions for capital assets that have not been expended are recorded as part of deferred capital contribution on the balance sheet.

Contributed material and services

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

Use of estimates

The preparing of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. For example, the employee benefits liabilities and related costs charged to the statement of revenue and expenditures depend on certain actuarial and economic assumptions. Estimates and assumptions are based on the Centre's best information and judgement and may differ significantly from actual results.

Employee related costs

The Centre has adopted the following policies with respect to employee benefit plans:

- (a) the Centre's contributions to a multi-employer, defined benefit pension plan are expensed when contributions are made; and
- (b) the costs of other employee benefits are determined by an independent actuary using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation and expected health care costs.

New accounting standards for Government not-for-profits organizations (GNFPOs)

The Public Sector Accounting Board has issued revised standards for GNFPOs which are effective for fiscal years beginning on or after January 1, 2012. GNFPOs will be required to adopt CICA Public Sector handbook with or without the addition of sections PS 4200 to PS4270. The organization has commenced assessing the impact of these new standards and does not expect them to have a significant impact on the financial statements.

Board of Management for the Harbourfront Community Centre Notes to the Financial Statements

December 31, 2011

3. Employee benefits

The Centre participates in a number of defined benefit plans provided by the City including pension, other retirement and post-employment benefits to its employees. Under the sick leave plan for management staff with ten years of service as of April 1, 2003, unused sick leave accumulates and eligible employees may be entitled to a cash payment upon leaving the Centre's employment. The liability for these accumulated days represents the extent to which they have vested and could be taken in cash by the employee upon termination, retirement or death. The Centre also provides health, dental, accidental death & disability, life insurance and long-term disability benefits to eligible employees. Depending on length of service and individuals' election, management retirees are covered either by the former City of Toronto retirement benefit plan or by the current retirement benefit plan.

Due to complexities in valuing the benefit plans, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed in 2011 and has been extrapolated to provide the accrued benefit obligation as at December 31, 2011. The actuarial valuation has resulted in an actuarial loss of \$38,403 which is being amortized on a straight-line basis over 16 years, being the expected average remaining service life of the employees.

Information about the Centre's employee benefits, other than multi-employer, defined benefit pension plan noted below, is as follows:

	<u>2011</u>	<u>2010</u>
Sick leave benefit plan	\$ 190,766	\$ 167,393
Post-retirement benefits	<u>189,724</u>	<u>147,718</u>
	380,490	315,111
Add: Unamortized actuarial (loss) gain	<u>(54,660)</u>	<u>(13,143)</u>
Employee benefit liability	\$ <u>325,830</u>	\$ <u>301,968</u>

The continuity of the accrued benefit obligation during 2011 is as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 301,968	\$ 283,810
Current service cost	12,267	9,674
Interest cost	16,485	15,303
Amortization of actuarial gain	(3,114)	(4,968)
Expected benefits paid	<u>(1,776)</u>	<u>(1,851)</u>
Balance, end of year	\$ <u>325,830</u>	\$ <u>301,968</u>

Board of Management for the Harbourfront Community Centre Notes to the financial statements

December 31, 2011

3. Employee benefits (continued)

Expenditures in 2011 relating to employee benefits are included as employee benefit expenses for program (\$2,811) and administration (\$21,051) on the Statement of Revenue and Expenditures and include the following components:

	<u>2011</u>	<u>2010</u>
Current service cost	\$ 12,267	\$ 9,673
Interest cost	16,485	15,303
Amortization of actuarial gain	<u>(3,114)</u>	<u>(4,968)</u>
	25,638	20,008
Less expected benefits paid during the year	<u>(1,776)</u>	<u>(1,851)</u>
Total expenditures related to post-retirement and post-employment benefits	\$ <u>23,862</u>	\$ <u>18,157</u>

A long-term receivable of \$297,962 (2010 - \$276,911) has resulted from recording sick leave and post retirement benefits for administration staff. Funding for these costs are provided by the City as benefit costs are paid and the City is responsible for the City approved administration staff benefit liabilities that may be incurred by the Centre. Sick leave and post retirement benefit liabilities for program staff amounted to \$27,868 (2010 - \$25,058) are the responsibility of the Centre and are not recoverable from the City.

The Centre also makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of most of its employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

4. Capital assets

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Program furniture, fixtures and equipment	\$ 69,691	\$ 54,448	\$ 15,243	\$ 9,026
Administration furniture, fixtures and equipment	<u>149,324</u>	<u>141,970</u>	<u>7,354</u>	<u>10,732</u>
	\$ <u>219,015</u>	\$ <u>196,418</u>	\$ <u>22,597</u>	\$ <u>19,758</u>

5. Deferred revenue

	<u>2011</u>	<u>2010</u>
Government of Canada	\$ 4,741	\$ -
City of Toronto	57,815	51,550
Other	<u>101,951</u>	<u>30,769</u>
	\$ <u>164,507</u>	\$ <u>82,319</u>

Board of Management for the Harbourfront Community Centre Notes to the financial statements

December 31, 2011

6. Deferred capital contributions

Deferred capital contribution represents the unamortized amount of restricted grants received from the City for the purchase of capital assets for use in administrative activities. The amortization of deferred capital contribution is recorded as revenue in the Statement of Operations when the associated asset is brought into service.

7. Reserve program funds	<u>2011</u>	<u>2010</u>
Mission and Strategic Priority Reserve		
Children and Youth Reserve	\$ 78,615	\$ 78,615
Replacement of Capital Equipment	19,193	19,193
Special Project – Community Development	58,075	58,075
Special Project – Summer Program	35,000	35,000
Special Project – Capital Equipment	<u>51,635</u>	<u>51,635</u>
	242,518	242,518
Program Administration Reserve	<u>185,206</u>	<u>185,206</u>
	<u>\$ 427,724</u>	<u>\$ 427,724</u>

The Mission and Strategic Priority Reserve represents funds set aside by the Board of Management for future special projects relating to children and youth or special project initiatives, identified through strategic planning processes and for expenditures required to maintain the Centre's facility and/or for purchases of capital items not funded through other sources. The Program Administration Reserve represents funds set up to meet legal and financial obligations in the event of future funding uncertainties and legal and financial obligations for program salary and benefits not otherwise covered by city administration funds. Internally restricted net assets are not available for other purchases without approval of the Board of Management.

8. Funds provided - administration

Funding for administration expenditures is provided by the City according to Council approved budgets. Surplus amounts in administration are payable back to the City. Deficits, other than long-term employee benefits, are to be funded by the Centre unless Council approval has been obtained for additional funding.

The Centre's approved budget for 2011 administration was \$1,231,539 (2010 - \$1,225,951). The actual administration expenditures amounted to \$1,257,965 (2010 - \$1,246,700).

Board of Management for the Harbourfront Community Centre Notes to the financial statements

December 31, 2011

8. Funds provided - administration (continued)

The funding receivable from the City in 2011 is \$57 (2010 – repayable to the City of \$65).

	<u>2011</u>	<u>2010</u>
Administration grant paid by the City	\$ <u>1,231,539</u>	\$ <u>1,225,951</u>
Funding allowed by the City		
Administration expenditure per financial statements	1,257,965	1,246,700
Less:		
Expenditures not eligible for current year funding		
Vacation pay liability	(5,317)	(4,473)
Sick leave liability	(9,529)	(6,863)
Post retirement benefits obligations	(11,523)	(9,478)
Funding allowed by the City	\$ <u>1,231,596</u>	\$ <u>1,225,886</u>
Funding receivable from (payable to) the City	\$ <u>(57)</u>	\$ <u>65</u>